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RUEHEG/AMEMBASSY CAIRO PRIORITY 2886
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 5276
RUEHLO/AMEMBASSY LONDON PRIORITY 2133
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RUEHTU/AMEMBASSY TUNIS PRIORITY 5603
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RUEHJI/AMCONSUL JEDDAH PRIORITY 0431
RUEHJM/AMCONSUL JERUSALEM PRIORITY 0625
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UNCLAS TEL AVIV 002342

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

[1](#)1. Mideast

[1](#)2. Iran

Key stories in the media:

Major media reported that the global financial crisis is sparking a local job market crunch, with Maariv predicting that up to 55,000 Israelis would lose their jobs. (Yesterday the Israel Employment

Service warned that an estimated 3,600 are expected to be lost by the end of the year and a further wave of job losses in 2009.) All media highlighted the hostage-taking of 13 Israeli building contractors and other foreign nationals by hundreds of Chinese laborers on the Caribbean island of West Caicos. The workers claim that they have not received their salaries because of financial problems arising from the collapse of the Lehman Brothers investment bank. Media reported that seven of the hostages were released last night.

The Jerusalem Post reported today that the UN General Assembly will hold a vote on Iran's request to become temporary member of the organization's Security Council. The newspapers reported that Iran claims that it wants a nuke-free world. The newspaper reported that the vote marks the first case of a country under sanction bidding for a spot on the Council. The Jerusalem Post says that Iran may get support from Tajikistan and Pakistan, but that it will lose to Japan.

The Jerusalem Post quoted sources close to PM-designate Tzipi Livni assaying that she will ask President Shimon Peres on Sunday to give her a two-week extension beyond Monday's deadline to form a new coalition. HaQaretz reported that Kadima officials blasted Finance Minister Roni Bar-On for refusing to increase child allowances as Shas is demanding, as the two parties held accelerated coalition talks yesterday. Maariv and other media reported that Shas is demanding that Kadima pledge not to include Jerusalem in the diplomatic negotiations. Makor Rishon-Hatzofe reported that key Kadima members are opposed to establishing a narrow-based government and including Meretz in the cabinet.

The Jerusalem Post reported that during the last presidential debate Sen. Barack Obama gave the first direct indication of who he might appoint to key foreign policy posts. He pointed to Republican Senator Richard Lugar and special Middle East envoy Gen. (ret.) James Jones, who Obama said have shaped my ideas.

Maariv and other media reported that the Gur Hassidic movement has decided not to support ultra-Orthodox candidate Meir Porush in the race for Jerusalem mayor, which means that secular candidate Nir Barkat has increased chances of winning the municipal elections on November 11. HaQaretz reported that Jerusalem's left-wing secular residents are in confusion over whom to support in the elections. The newspaper quoted Dr. Meir Margalit, number two on Meretz's list, as saying recently that he prefers to vote for a moderate ultra-Orthodox candidate than for Barkat, who has taken an extreme right-wing stance and spoken out against dividing Jerusalem.

Maariv reported that on Wednesday deaths to the Arabs' graffiti were discovered on walls in Jaffa in the wake of the Acre riots.

HaQaretz quoted Palestinian sources in Gaza as saying on Thursday that Hamas is likely to seek to extend its truce with Israel for another six months. Israel Radio reported that Hamas has effectively accepted the extension, including in the West Bank. The current six-month truce, brokered by Egypt, expires in December. A senior Hamas official told HaQaretz that the Islamic group has not yet made a decision on extending the truce. Leading media quoted the Saudi newspaper Okaz as saying yesterday that top Israeli negotiator Amos Gilad has informed Egyptian officials that Israel is prepared to release the 450 prisoners whom Hamas has demanded in exchange for Gilad Shalit. The media reported that Amos Gilad and the Defense Ministry have denied the report. Makor Rishon-Hatzofe quoted Palestinian sources as saying that Shalit will be released after the Jewish holidays, which end next week.

HaQaretz reported that a report released yesterday by UN Secretary-General Ban Ki-moon described Hizbullah as a threat to Middle East security and called for both the Lebanese militant group and Israel to stop threatening each other through the media. The report, sent to members of the UN Security Council, also criticized Syria for allowing weapons smuggling to Lebanese militias.

Israel Radio reported that yesterday a conversation between Secretary of State Condoleezza Rice and her Syrian counterpart revolved around the Israeli-Syrian talks.

HaQaretz and Maariv reported that yesterday IDF soldiers shot dead a Palestinian in the West Bank as he was preparing to throw a fire bomb at them, in the third such incident in the past three days.

Deputy DM Matan Vilnai was quoted as saying in an interview with The Jerusalem Post that Israel is Qin the midst of preparing the home front for war.Q He said that although he believes Iran could not wipe Israel off the map, it could wreak severe havoc. Still, Vilnai favors stepping up sanctions before making a military move.

The Jerusalem Post reported that yesterday 1,000 Jews made a pilgrimage to JosephQs Tomb in Nablus.

The Jerusalem Post reported that yesterday the International Christian Embassy in Jerusalem announced that a growing list of prominent Christian ministries has joined the effort to indict Iranian President Mahmoud Ahmadinejad for incitement to genocide against Israel.

The Jerusalem Post quoted the Simon Wiesenthal Center as saying that anti-Semitic tracts can be found throughout Muslim-world bookstands at the Frankfurt Book Fair, including at the displays of this yearQs Qhonored guest,Q Turkey.

Maariv reported that because Italy and Britain are considering pulling out of the F-35 stealth fighter project, there may be a steep increase in the aircraftQs price. Maariv quoted a senior Israeli defense source as saying that although Israel is not deterred by the current economic crisis, but that it will not purchase the plane at all costs.

Makor Rishon-Hatzofe cited a new report by the NGO Monitor organization that claims that the number of lawsuits filed in Europe against senior Israelis has increased.

Leading media reported that Ethiopian-Israeli Tzaga Malko is now in charge of Israel RadioQs Network A.

1. Mideast:

Summary:

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz: QLivni will have to show understanding for the situation of the next president and not burden him with a tiresome list of the threats facing Israel.

Liberal historian Prof. Zeev Sternhell wrote in Ha'aretz: QIf Israeli society is unable to muster the courage necessary to put an end to the settlements, the settlements will put an end to the state of the Jews and will turn it into a binational state.

Block Quotes:

1I. "A Cold Winter Ahead"

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz (10/17): QLivni's main challenge, if indeed she succeeds Ehud Olmert, will be to develop good relations with Barack Obama, who appears likely to succeed President Bush in the White House. This is not only a matter of personal chemistry, but of understanding the needs and constraints of a weakened America, which is reeling under a financial crisis and wars in Iraq and Afghanistan. Livni will have to show understanding for the situation of the next president and not burden him with a tiresome list of the threats facing Israel. It will be best for her to present a diplomatic initiative, display a willingness to make progress with the Palestinians and the Syrians, and quietly support an American dialogue with Iran, in return for the U.S. watching out for Israel's interests. In the long run, a resilient America will be of greater help than anything else to Israel's security-related and international standing. Obama will aspire to improve the status and image of the U.S. internationally, after the nadir reached under Bush's eight years in office. That effort will oblige him to take an interest in the Israeli-Palestinian peace process, if only to

placate those who supported him in his run for the presidency. Israel will have to be careful not to give the impression that it is hampering Obama's foreign policy, like a kind of vestige from the Bush period. Accordingly, Jerusalem will have to shy away from moves that will look like provocations in the international arena, such as authorizing extensive building in the settlements, at least until it becomes clear who Obama is and how he is going about the business of being president. Livni will find it difficult to depend on the Jewish establishment in the U.S., which for the most part worked against Obama.

II. "Colonial Zionism"

Liberal historian Prof. Zeev Sternhell wrote in Ha'aretz (10/17):
QFor the past 30 years I have considered the settlements a destructive phenomenon that raises a large question mark over Israel's future. In fact, the settlement enterprise is an ideological, political and social phenomenon that has succeeded in creating an original androgynous creation: colonial Zionism. There have already been variations of Zionism: general, revisionist, socialist, with or without quotation marks. Now we also have colonial Zionism, based on ethnic and religious inequality, which considers itself the exclusive emissary of Jewish history.... I have already written in the past in this newspaper, and I repeat it today: If Israeli society is unable to muster the courage necessary to put an end to the settlements, the settlements will put an end to the state of the Jews and will turn it into a binational state.Q-----

12. Iran:

Summary:

Diplomatic correspondent Herb Keinon wrote in the conservative, independent Jerusalem Post: QWhile it is much too early to judge the impact of the global financial meltdown on Iran or its decisions, one clear thing is that the fall of oil prices significantly hurts Tehran.

Block Quotes:

"Dollars and Sense Q the Good News about Torpedoing Tehran"

Diplomatic correspondent Herb Keinon wrote in the conservative, independent Jerusalem Post (10/17): QAssessments in Jerusalem are that, given the current financial crisis, large companies will

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consider investment in Iran even more carefully, because they will be less keen on entering into investments in an unstable region. And this is where the global financial crisis could actually have

some positive residual effect. While it is much too early to judge the impact of the global financial meltdown on Iran or its decisions, one clear thing is that the fall of oil prices significantly hurts Tehran.

CUNNINGHAM